



FEDERAL RESERVE SYSTEM

Agency Information Collection Activities: Announcement of Board Approval Under Delegated Authority and Submission to OMB

AGENCY: Board of Governors of the Federal Reserve System

SUMMARY: Notice is hereby given of the final approval of proposed information collections by the Board of Governors of the Federal Reserve System (Board) under OMB delegated authority, as per 5 CFR 1320.16 (OMB Regulations on Controlling Paperwork Burdens on the Public). Board-approved collections of information are incorporated into the official OMB inventory of currently approved collections of information. Copies of the Paperwork Reduction Act Submission, supporting statements and approved collection of information instrument(s) are placed into OMB's public docket files. The Federal Reserve may not conduct or sponsor, and the respondent is not required to respond to, an information collection that has been extended, revised, or implemented on or after October 1, 1995, unless it displays a currently valid OMB control number.

FOR FURTHER INFORMATION CONTACT: Federal Reserve Board Clearance Officer – Nuha Elmaghrabi – Office of the Chief Data Officer, Board of Governors of the Federal Reserve System, Washington, D.C. 20551 (202) 452-3829. Telecommunications Device for the Deaf (TDD) users may contact (202) 263-4869, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

OMB Desk Officer – Shagufta Ahmed – Office of Information and Regulatory Affairs, Office of Management and Budget, New Executive Office Building, Room 10235, 725 17th Street, NW., Washington, D.C. 20503.

Final approval under OMB delegated authority of the extension for three years, without revision, of the following report:

Report title: Reporting Requirements Associated with Regulation Y (Extension of Time to Conform to the Volcker Rule).

Agency form number: Reg Y-1.

OMB control number: 7100-0333.

Frequency: Event-generated.

Reporters: Insured depository institution (other than certain limited-purpose trust institutions), any company that controls an insured depository institution, any company that is treated as a bank holding company for purposes of section 8 of the International Banking Act of 1978 (12 U.S.C. 3106), and any affiliate or subsidiary of any of the foregoing, and nonbank financial companies designated by the Financial Stability Oversight Council that engage in proprietary trading activities or make investments in covered funds.

Estimated annual reporting hours: 774 hours.

Estimated average hours per response: 3 hours.

Number of respondents: 258 respondents.

General description of report: The Board's Legal Division has determined that section 13 of the BHC Act specifically authorizes the Board to issue rules to permit entities covered by the Volcker Rule to seek extensions of time of the conformance period. 12 U.S.C. 1851(c)(6). The information collections in Sections 225.181(c) and 225.182(c) of Regulation Y are required for covered entities that decide to seek an extension of time to conform their activities to the Volcker Rule or divest their interest in an illiquid hedge fund or private equity fund. The obligation to respond, therefore, is required to obtain a benefit. As noted above, the information collected under the provisions of section 13 of the BHC Act and Subpart K of Regulation Y is required to be submitted in order to obtain an extension of time to conform a covered entity's assets and activities to the Volcker Rule. As provided in sections 221.181(d) and 221.182(d) of Subpart K, such information includes:

- The terms of private contractual obligations;
- The liquid or illiquid nature of assets proposed to be divested by the regulated entity;
- The total exposure of the covered entity to the activity or investment, and its materiality to the institution;
- The risks and costs of disposing of, or maintaining, the activity or investment; and
- The impact of divestiture or conformance of the activity or investment on any duty owed by the institution to a client, customer, or counterparty.

This information is the type of confidential commercial and financial information that may be withheld under Exemption 4 of the Freedom of Information Act, 5 U.S.C. 552(b)(4). As required information, it may be withheld under Exemption 4 only if public disclosure could result in substantial competitive harm to the submitting institution.

Abstract: The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was enacted on July 21, 2010.¹ Section 619 of the Dodd-Frank Act, also known as the Volcker Rule, adds a new section 13 to the Bank Holding Company Act of 1956 (the "BHC Act")² that generally prohibits any banking entity³ from engaging in proprietary trading or from investing in, sponsoring, or having certain relationships with a hedge fund or private equity fund (together, a covered fund). Section 13 of the BHC Act also provides that nonbank financial companies designated by the Financial Stability Oversight Council (the "Council") that engage in proprietary trading activities or make investments in covered funds may be made subject by rule to additional capital

¹ Public Law 111-203, 124 Stat. 1376 (2010).

² 12 U.S.C. 1851.

³ The term "banking entity" is defined in section 13(h)(1) of the BHC Act. See 12 U.S.C. 1851(h)(1). The term means any insured depository institution (other than certain limited-purpose trust institutions), any company that controls an insured depository institution, any company that is treated as a bank holding company for purposes of section 8 of the International Banking Act of 1978 (12 U.S.C. 3106), and any affiliate or subsidiary of any of the foregoing.

requirements or quantitative limits.⁴ In December 2013, the Board, OCC, FDIC, SEC and CFTC (the “Agencies”) approved final regulations implementing the provisions of section 13 of the BHC Act (the “final rule”).⁵

The restrictions and prohibitions of section 13 of the BHC Act became effective on July 21, 2012,⁶ however, the statute provided banking entities a grace period until July 21, 2014, to conform their activities and investments to the requirements of the statute and any rule issued by the Agencies. The statute also granted exclusively to the Board authority to provide banking entities additional time to conform or divest their investments and activities covered by section 13. The statute provides that the Board may, by rule or order, extend the conformance period “for not more than one year at a time,” up to three times, if in the judgment of the Board, an extension is consistent with the purposes of section 13 and would not be detrimental to the public interest.⁷ This would allow extensions of the conformance period until July 21, 2017.⁸ Section 13 also permits the Board, upon application by a banking entity, to provide up to an additional five-year transition period to conform certain illiquid funds.⁹

Section 13 also gives nonbank financial companies supervised by the Board the same general two-year conformance period with the potential of up to three, one-year extensions to bring their activities into compliance with any requirements or limits established. Consistent with the conformance period available to banking entities, the Board has the ability to extend this two-year period by up to three additional one-year periods, if the Board determines that such an extension is consistent with the purpose of the Volcker Rule and would not be detrimental to the public interest.¹⁰

⁴ See 12 U.S.C. 1851(a)(2) and (f)(4).

⁵ See Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships With, Hedge Fund and Private Equity Funds, 79 FR 5536 (Jan. 31, 2014); 79 FR 5808 (Jan. 31, 2014). At the time of the final rule, the Agencies explained they would explore whether a nonbank financial company designated by the Council that was not also a banking entity engages in any activity subject to section 13 of the BHC Act and what, if any, requirements to apply under section 13.

⁶ See 12 U.S.C. 1851(c)(1).

⁷ See 12 U.S.C. 1851(c)(2).

⁸ At the time of issuance of the final rule in December 2013, the Board exercised authority under the statute to extend this period for one year, until July 21, 2015. See Board Order Approving Extension of Conformance Period (Dec. 10, 2013), available at <http://www.federalreserve.gov/newsevents/press/bcreg/bcreg20131210b1.pdf>. In addition, in December 2014, the Board extended the conformance period until July 21, 2016 for banking entities to conform investments in and relationships with covered funds and foreign funds that were in place prior to December 31, 2013 (“legacy covered funds”) and stated its intention to act next year to give banking entities until July 21, 2017 to conform legacy covered funds. See Board Order Approving Extension of Conformance Period under Section 13 of the Bank Holding Company Act (December 18, 2014), available at <http://www.federalreserve.gov/newsevents/press/bcreg/20141218a.htm>.

⁹ See 12 U.S.C. 1851(c)(3)-(4).

¹⁰ See 12 U.S.C. 1851(c)(2).

In February 2011, the Board adopted a final rule to implement the conformance period provisions of section 13 (“Conformance Rule”) during which banking entities and nonbank financial companies supervised by the Board must bring their activities and investments into compliance with the Volcker Rule and implementing regulations. The information collections associated with the Conformance Rule are located in sections 225.181(c) and 225.182(c) of Regulation Y. Sections 225.181(c) and 225.182(c) permit a banking entity and nonbank financial company, respectively, to request an extension of time to conform their activities to the Volcker Rule. The Conformance Rule became effective April 1, 2011.

Current Actions: On February 19, 2016 the Federal Reserve published a notice in the Federal Register (**81 FR 8494**) requesting public comment for 60 days on the extension, without revision, of Reg Y-1. The comment period for this notice expired on April 19, 2016. The Federal Reserve did not receive any comments. The information collection will be extended as proposed.

Final approval under OMB delegated authority of the extension for three years, with revision, of the following reports:

Report title: Uniform Application for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer; Uniform Termination Notice for Municipal Securities Principal or Municipal Securities Representative Associated with a Bank Municipal Securities Dealer.

Agency form number: Form MSD-4; Form MSD-5.

OMB control number: 7100-0100; 7100-0101.

Frequency: On occasion.

Reporters: State member banks, bank holding companies, and foreign dealer banks that are municipal securities dealers.

Estimated annual reporting hours: Form MSD-4, 20 hours; Form MSD-5, 13 hours.

Estimated average hours per response: Form MSD-4, 1 hour; Form MSD-5, 0.25 hours.

Number of respondents: Form MSD-4, 20; Form MSD-5, 50.

General description of report: The Board’s Legal Division has determined that Sections 15B(a)-(b) and 17 of the Securities Exchange Act (15 U.S.C. 78o-4(a)-(b) and 78q) authorize the SEC and MSRB to promulgate rules requiring municipal security dealers to file registration reports about associated persons with the SEC and the ARA. In addition, Section 15B(c) of the Act provides that ARAs may enforce compliance with the SEC’s and MSRB’s rules. 15 U.S.C. 78o-4(c). Section 23(a) of the Act also authorizes the SEC, the Board, and the other ARAs to make rules and regulations in order to implement the provisions of the Act. 15 U.S.C. 78w(a). The Board is the ARA for bank municipal securities dealers that are savings and loan holding companies, state member banks (including their divisions or departments), and bank holding companies

(including a subsidiary bank of the bank holding company if the subsidiary does not already report to another ARA or to the SEC, and any divisions, departments or subsidiaries of that subsidiary).¹¹ 15 U.S.C. 78c(a)(34)(A)(ii). The Board is also the ARA for state branches or agencies of foreign banks that are municipal securities dealers.¹² Accordingly, the Board's collection of Form MSD-4 and Form MSD-5 for these institutions is authorized pursuant to 15 U.S.C. 78o-4, 78q and 78w.

The Board is also authorized to require that state member banks and their departments file reports with the Board pursuant to Section 11(a)(1) of the Federal Reserve Act, 12 U.S.C. 248(a)(1). Branches and agencies of foreign banks are also subject to the reporting requirements of section 11(a)(1) of the Federal Reserve Act pursuant to Section 7(c)(2) of the International Banking Act, 12 U.S.C. 3105(c)(2). In addition, Section 10(b)(2) of the Home Owners' Loan Act authorizes the Board to require SLHCs to file "such reports as may be required by the Board" and instructs that such reports "shall contain such information concerning the operations of such savings and loan holding company and its subsidiaries as the Board may require." 12 U.S.C. 1467a(b)(2), as amended by section 369 of the Dodd-Frank Act.

The obligation to file the forms with the Board is mandatory for those financial institutions for which the Board serves as the ARA, and the filing of both forms is event generated.

The data collected on Forms MSD-4 and MSD-5 is compiled in a "system of records" within the meaning of the Privacy Act. 5 U.S.C. 552a(a)(5). In 1977, the Board formally designated a system of records for Forms MSD-4 and MSD-5. See 4 Fed. Res. Reg. Service ¶ 8-350 (42 Fed. Reg. 16,854 (Mar. 30, 1977)).¹³ The Privacy Act prohibits the Board from disclosing the information collected on the forms unless certain exceptions apply that would permit disclosure. 5 U.S.C. 552a(b).

¹¹ Currently, the instructions to Form MSD-4 and to Form MSD-5 do not explicitly state that a savings and loan holding company ("SLHC") or a bank holding company ("BHC") is required to file these forms with the Board. These instructions will be amended to make this requirement explicit, and the forms will be revised to include a Privacy Act notice.

¹² Although Section 3(a)(34) of the Act, 15 U.S.C. 78c(a)(34), does not specify the ARA for municipal securities dealer activities of foreign banks, uninsured state branches or state agencies of foreign banks, commercial lending companies owned or controlled by a foreign bank, or Edge Act corporations (collectively referred to as foreign dealer banks), the Division of Market Regulation of the SEC has agreed that the Federal Reserve should examine the municipal securities dealer activities of foreign dealer banks. See Letter from Catherine McGuire, Chief Counsel, SEC's Division of Market Regulation, to Laura M. Homer, Assistant Director, Federal Reserve Board's Division of Banking Supervision and Regulation, June 14, 1994.

¹³ In 2008, the Board updated all of the Board's existing systems of records, including the system of records for Forms MSD-4 and MSD-5 (BGFRS-17). See 73 Fed. Reg. 24,984, 24,999 (May 6, 2008).

Abstract: These mandatory information collections are submitted on occasion by state member banks (SMBs), bank holding companies (BHCs), savings and loan holding companies (“SLHCs”), and foreign dealer banks that are municipal securities dealers.¹⁴ The Form MSD-4 collects information (such as personal history and professional qualifications) on an employee whom the bank wishes to assume the duties of municipal securities principal or representative. The Form MSD-5 collects the date of, and reason for, termination of such an employee.

On August 4, 2014, the Municipal Securities Rulemaking Board (MSRB) (MSRB Notice 2014-13) announced the creation of a new designation of registered person – Limited Representative - Investment Company and Variable Contracts Products – which is a sub-category of Municipal Securities Representative.¹⁵ To conform to MSRB Notice 2011-54, the Federal Reserve Board proposes to make a minor revision to the Form MSD-4 to add the Limited Representative - Investment Company and Variable Contracts Products as a new type of qualification. The Federal Reserve Board also proposes to require electronic submission of both the Form MSD-4 and Form MSD-5 to a secure Federal Reserve Board email address. The total annual reporting burden for these reporting forms is estimated to be 33 hours. A draft copy of the revised Form MSD-4 and Form MSD-5 reporting forms and instructions are attached.

Current Actions: On February 19, 2016 the Federal Reserve published a notice in the Federal Register (**81 FR 8494**) requesting public comment for 60 days on the extension, with revision, of the Form MSD-4 and Form MSD-5. The comment period for this notice expired on April 19, 2016. The Federal Reserve did not receive any comments. The revisions will be implemented as proposed.

Board of Governors of the Federal Reserve System, May 2, 2016.

Robert deV. Frierson,
Secretary of the Board.

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¹⁴ At this time, there are no SLHCs or foreign dealer banks that are registered as municipal securities dealers.

¹⁵ See <http://www.msrb.org/~media/Files/Regulatory-Notices/Announcements/2014-13.ashx?n=1>.

